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SUBJECT: JAPAN: DEMARCHE ON POSTAL REFORM REVIEW

REF: TOKYO 2890

¶1. (U) This is an action request. Please see para 3.

¶2. (SBU) BACKGROUND: The Government of Japan is currently undergoing an intensive process of reviewing postal reform policies and drafting new legislation regarding the structure and services offered by Japan Post. The USG, though neutral as to whether Japan Post should be privatized, is concerned about the implementation of a level playing field for private companies to compete in the banking, insurance, and express delivery markets.

¶3. (SBU) ACTION REQUEST: Embassy Tokyo is requested to meet with FSA/Postal Reform Vice Minister Kouhei Ohtsuka, MIC Parliamentary Secretary Kensei Hasegawa, and other senior Japanese Government officials to deliver the following talking points:

-- We understand that the Japanese Government is undergoing an intensive process of reviewing postal reform policies and drafting new legislation.

-- We want to be clear up front that the U.S. Government continues to remain neutral as to whether or not Japan Post should be privatized. We fully respect that this is a decision for Japan to make.

-- However, we have specific concerns about the preferential treatment that Japan Post receives compared to foreign companies and how it affects our companies' ability to compete in the insurance market in Japan.

-- This has led to questions about Japan's compliance with its WTO national treatment obligations in the insurance market, which we are examining carefully.

-- (IF RAISED - Specific national treatment concerns:) One example is access to the postal network. Japan Post Insurance has the opportunity to offer its full product range at more than 20,000 post offices. Meanwhile, foreign insurance companies are only permitted to sell a small number of products at roughly 1,000 post offices.

-- This is not just an issue for the United States. Japanese domestic companies and other foreign companies have expressed similar concerns.

-- We believe that there is a window of opportunity right now during your review process for us to work together quietly to address these level playing field concerns. If we wait, I fear that the concerns may only grow stronger and lead to trade friction, which is not in our mutual interest.

-- We respectfully ask that our respective teams meet in the immediate future to discuss the issues at hand in more detail and to see how they can be effectively addressed.

-- Although this discussion has focused on insurance issues, we hope that you will use this opportunity to also address

our level playing field concerns in the banking and express delivery markets.

-- As you go forward, we urge you to ensure full transparency during the policy making process and to give interested parties, including foreign companies, opportunities to provide meaningful input.

-- (AS NEEDED POINT ON PRESS:) I would like to keep this discussion private. Can we agree not to talk about this meeting in the press?

CLINTON